

2001 Teacher Retention Credit

3505

Attach to your California tax return.

Social security number

Name(s) as shown on tax return

CAUTION: To compute this credit, you must first complete Form 540 through line 37 or Long Form 540NR through line 46.

Note: Most filers only need to complete Section A. However, if you are married filing a joint tax return and both you and your spouse are teachers, each spouse must compute the credit separately. Complete Section A for yourself and Section B for your spouse.

Section A – Credit Computation — (Taxpayer)

Enter the year you received your Teaching Credential. _____ Current California Teaching Credential No. _____

Note: Before you enter an amount on line 1, please see the instructions for "How the credit is computed."

- 1 Enter total tax computed on Form 540, line 37 or Long Form 540NR, line 46.

See instructions 1 _____

- 2 Enter total taxable wages and salaries from teaching in California. See instructions 2 _____

- 3 Enter your adjusted gross income from Form 540 or Long Form 540NR, line 17.

See instructions 3 _____

- 4 Divide the amount on line 2 by the amount on line 3. (Do not enter more than 1.00) 4 _____

- 5 Multiply the amount on line 1 by the percentage on line 4 5 _____

- 6 Limitation – 50% (.50) 6 .50

- 7 Multiply the amount on line 5 by the limitation (.50) on line 6 7 _____

- 8 Enter the amount based on years of service as a credentialed teacher

At least 4 years of service but less than 6 years of service \$ 250

At least 6 years of service but less than 11 years of service \$ 500

At least 11 years of service but less than 20 years of service \$1,000

20 or more years of service \$1,500 8 _____

- 9 Allowable credit. Enter the **smaller** of the amount on line 7 or line 8. If you are married filing joint and both you and your spouse are teachers, continue to Section B. Otherwise, see the Form 540 or Long Form 540NR instructions for more information about claiming the credit on your tax return 9 _____

Section B – Credit Computation — (Spouse)

Enter the year you received your Teaching Credential. _____ Current California Teaching Credential No. _____

- 1 Enter total tax computed on Form 540, line 37 or Long Form 540NR, line 46.

See instructions 1 _____

- 2 Enter total taxable wages and salaries from teaching in California. See instructions 2 _____

- 3 Enter your adjusted gross income from Form 540 or Long Form 540NR, line 17.

See instructions 3 _____

- 4 Divide the amount on line 2 by the amount on line 3. (Do not enter more than 1.00) 4 _____

- 5 Multiply the amount on line 1 by the percentage on line 4 5 _____

- 6 Limitation – 50% (.50) 6 .50

- 7 Multiply the amount on line 5 by the limitation (.50) on line 6 7 _____

- 8 Enter the amount based on years of service as a credentialed teacher

At least 4 years of service but less than 6 years of service \$ 250

At least 6 years of service but less than 11 years of service \$ 500

At least 11 years of service but less than 20 years of service \$1,000

20 or more years of service \$1,500 8 _____

- 9 Allowable credit. Enter the **smaller** of the amount on line 7 or line 8 9 _____

Section C – Credit Computation — (Taxpayer and Spouse)

- 10 Allowable credit if both spouses are teachers. Add the amounts from Section A, line 9 and Section B, line 9.

See the Form 540 or Long Form 540NR instructions for more information about claiming the credit on your tax return 10 _____

Instructions for Form FTB 3505

Teacher Retention Credit

General Information

Purpose

California allows credentialed teachers to claim a nonrefundable Teacher Retention Credit.

Use California form FTB 3505 to figure the Teacher Retention Credit if you are a credentialed teacher and teach kindergarten through 12th grade in a qualified educational institution located in California.

For more specific information on the credit, get FTB 801, Teacher Retention Credit Brochure and FTB 801A, Teacher Retention Credit: Frequently Asked Questions. To get these publications, go to our Website at: www.ftb.ca.gov. Or, to order by phone, call (800) 852-5711.

Definitions

A "credentialed teacher" means a person who holds a preliminary or professional clear credential as determined by the Commission on Teacher Credentialing and teaches at a qualifying educational institution.

A "qualifying educational institution" means any elementary, secondary, or vocational technical school located in California providing education for kindergarten to grade 12. This includes schools operated by an agency or instrumentality of the federal government on Indian reservations or military installations located in California and private schools located in California that file an affidavit under Sections 33190 and 33191 of the Education Code.

"Qualifying taxable wages and salaries" for services as a credentialed teacher include only those amounts received with respect to services performed as a credentialed teacher in California.

When determining years of service performed as a teacher, a person shall qualify for each year of service completed that he or she was credentialed as a teacher by the State of California and performed teaching services. Teachers can also qualify based on the number of years they are credentialed by another state and teaching in that state, provided that all the other qualifications are met as outlined above.

How the credit is computed

Note: You must first complete Form 540 through line 37 or Long Form 540NR through line 46 in order to compute the Teacher Retention Credit. Do not make permanent entries on these forms until after you have computed the allowable credit.

The credit is the lesser of:

- 50% of your tax attributable to your California wages as a credentialed teacher, or
- An amount based on your years of service as a credentialed teacher in California or in other states.

Married filing joint: If you are married filing a joint tax return and both you and your spouse are teachers, you and your spouse must each compute your credits separately. Complete Section A for yourself and Section B for your spouse.

Married filing separate: If you file married filing separate, you must follow community property rules for the division of income and deductions. You and your spouse must each report half of the community income, plus your separate

income on your respective tax returns. For additional information, get FTB Pub. 1051A, Guidelines for Married Filing Separate Returns.

The computation, which is based upon years of service as a credentialed teacher, is computed as follows.

In the case of any credentialed teacher who has, as of the last day of the taxable year:

1. Completed at least 4 years but less than 6 years of service, the credit is up to **\$250**
2. Completed at least 6 years but less than 11 years of service, the credit is up to **\$500**
3. Completed at least 11 years but less than 20 years of service, the credit is up to **\$1,000**
4. Completed 20 or more years of service, the credit is up to **\$1,500**

Specific Line Instructions

Note: Remember to complete Section A and Section B if you are filing a joint tax return and both you and your spouse are credentialed teachers claiming the credit.

Line 1

Enter the total tax computed without regard to this credit.

Line 2

Taxable wages and salaries for services as a credentialed teacher include only those amounts received in the year 2001 for services performed in California. Do not include pensions or other deferred compensation received during 2001 for prior services or amounts earned during 2001 and contributed to a pension or deferred compensation plan. If your salary is partially based on teaching, enter only the portion attributable to teaching activities.

Line 3

If you are filing a joint tax return, you must use the combined adjusted gross income from Form 540 or Long Form 540NR, line 17 when computing line 3 of Section A and Section B.

Line 7

The credit is limited to 50% of the amount of tax imposed that is attributable to service as a teacher.

Line 9

This is your allowable credit. See the Form 540 or Long Form 540NR instructions for more information about claiming the credit on your tax return.

Note: The amount of credit that you can claim on your tax return may be limited further. Refer to the credit instructions in your tax booklet for more information. These instructions also explain how to claim this credit on your tax return. You must use credit code number **212** when you claim this credit.

Section C

Line 10

If you completed Section A and Section B because both you and your spouse are credentialed teachers, add the amounts from Section A, line 9 and Section B, line 9. This is your allowable credit. See Form 540 or Long Form 540NR instructions for more information about claiming the credit on your tax return.